

Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia. Investec focuses on delivering distinct profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking

In July 2002, the Investec group implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. Investec plc (housing the non-Southern African operations) and Investec Limited (housing the Southern African operations) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc and also houses the Wealth & Investment business. Investec Holdings (Australia) Limited, a branch in Ireland and Investec Wealth & Investment Limited are the main operating subsidiaries of IBP. IBP is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is a member of the London Stock Exchange.

Key financial statistics

For the year to 31 March	2019	2018	% change
Total operating income before expected credit losses/impairment losses (£'000)	1 049 300	1 040 147	0.9%
Operating costs (£'000)	819 169	797 049	2.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	207 482	136 347	52.2%
Earnings attributable to ordinary shareholders (£'000)	159 277	97 841	62.8%
Cost to income ratio [^] (%)	77.9%	76.7%	
Total capital resources (including subordinated liabilities) (£'000)	2 966 927	2 788 840	6.4%
Total equity (£'000)	2 163 228	2 209 167	(2.1%)
Total assets (£'000)	22 121 020	20 097 225	10.1%
Net core loans and advances (£'000)	10 486 678	9 663 172	8.5%
Customer accounts (deposits) (£'000)	13 499 234	11 969 625	12.8%
Loans and advances to customers as a % of customer deposits	77.7%	80.7%	
Cash and near cash balances (£'000)	6 792 462	5 598 418	21.3%
Funds under management (£'million)	39 482	37 276	5.9%
Total gearing ratio (i.e. total assets to equity)	10.2x	9.1x	

Key asset quality and capital ratios	31 March 2019	1 April 2018
Capital adequacy ratio	17.0%	16.0%
Tier 1 ratio	12.9%	12.8%
Common equity tier 1 ratio	11.2%	11.3%
Leverage ratio – current	7.9%	8.2%
Leverage ratio – ‘fully loaded’	7.7%	8.1%
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.2%	6.3%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.2%	4.3%
Credit loss ratio [#]	0.38%	1.14%*

[^] The group's cost to income ratio is calculated as: operating costs divided by operating income (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).

* As at 31 March 2018.

[#] Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL.

FINANCIAL INFORMATION

Financial performance

IBP reported operating profit before non-operating items and taxation (but after non-controlling interests) of £207.5 million for the year ended 31 March 2019 (2018: £136.3 million).

A diversified portfolio and a sound balance of earnings generated between capital light and capital intensive businesses continues to support a sustainable level of recurring income. The balance sheet remains strong supported by sound capital, leverage and liquidity ratios.

Capital adequacy

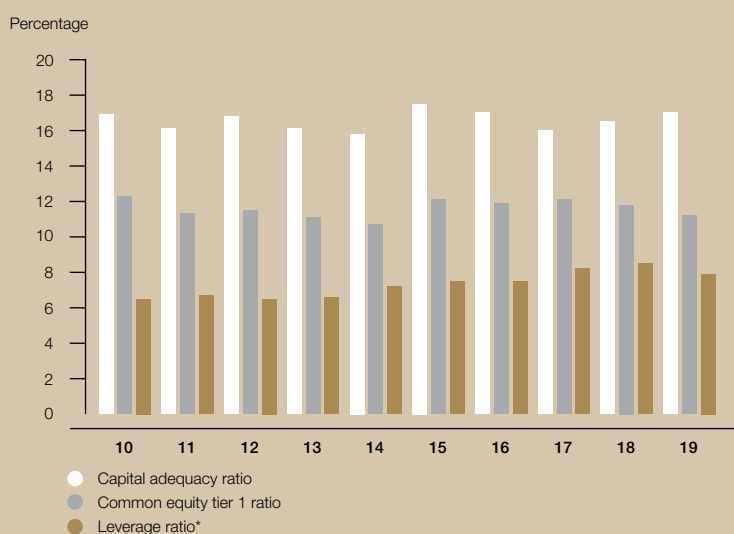
17.0%

IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. As at 31 March 2019, the capital adequacy ratio of IBP was 17.0% and the common equity tier 1 ratio was 11.2%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 10.8% and 7.7%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable charges and dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 13bps higher.

We are on the Standardised Approach in terms of Basel, thus our risk-weighted assets represent a large portion of our total assets.

Basel capital ratios – standardised approach



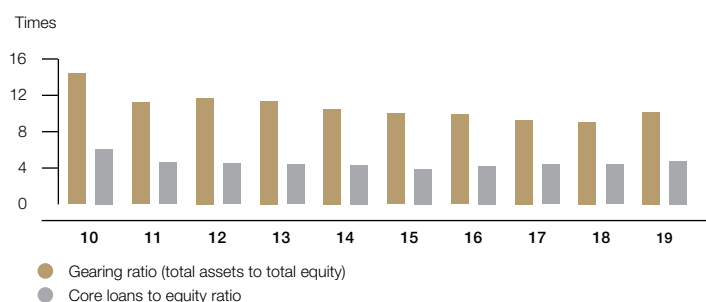
* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing

10.2x

IBP is not a highly geared bank. A number of banks that have come into difficulty in the past have been in excess of 40 times geared. IBP's comparative ratio would be 10.2 times.

Gearing ratio



FINANCIAL INFORMATION

(continued)

Asset quality and exposures

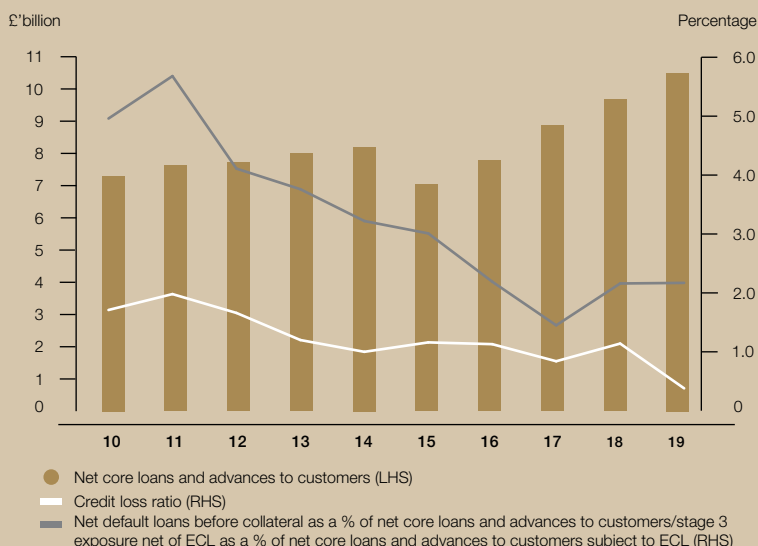
0.38%

(credit loss ratio)

The bulk of IBP's credit and counterparty risk arises through its private client and corporate client activities. The bank lends to high net worth and high income individuals, mid to large sized corporates, public sector bodies and institutions. The majority of IBP's credit and counterparty exposures reside within its principal operating geography, namely the UK.

The total ECL impairment charges amounted to £25.0 million for the year ended 31 March 2019, a substantial reduction from £106.1 million in the prior period, primarily reflecting a reduction in legacy impairments. The credit loss ratio amounted to 0.38% at 31 March 2019 (31 March 2018: 1.14%).

Core loans and asset quality



Stage 3 exposure net of ECL at 31 March 2019 amounted to £211 million (1 April 2018: £372 million) largely driven by a reduction in legacy exposures. Stage 3 exposure net of ECL as a percentage of net core loans and advances to customers subject to ECL at 31 March 2019 amounted to 2.2% (1 April 2018: 4.3%).

Liquidity and funding

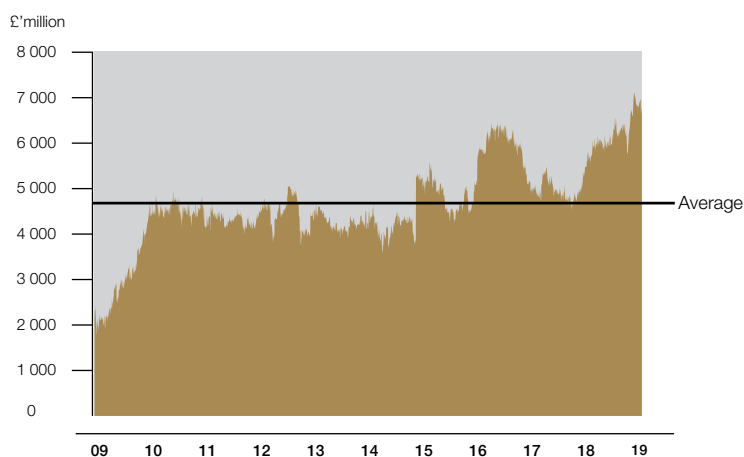
£6.8bn

(cash and near cash)

IBP has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a high level of readily available high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%. At 31 March 2019, the bank had £6.8 billion of cash and near cash to support its activities, representing approximately 50.3% of customer deposits.

Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £13.5 billion as at 31 March 2019 (31 March 2018: £12.0 billion). The bank's loan to deposit ratio was 77.7% at 31 March 2019 (31 March 2018: 80.7%).

Cash and near cash trend



Deposit guarantees

In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85,000 per individual per institution.

Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation Schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50,000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period.

Further details are available on request or alternatively on the Guernsey Scheme's website: www.dcs.gg <<http://www.dcs.gg>> or on the Jersey States website which will also highlight the banking groups covered.

At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

Recognition

- Ranked 27th in the world and fourth in the UK for progress in gender equality and reporting by Equileap in 2018
- Signatory to the 30% Club in the UK and to the HM Treasury Women in Finance Charter
- Received gold in the Global Good Awards for Best Education Project for the partnership with Arrival Education (UK) in 2018
- UK head office won the Chairman's Cup for waste management processes in the City of London's Clean City Awards in 2018 for the third time.

Funding a sustainable economy

We play a critical role in funding a sustainable economy that is cognisant of the world's limited natural resources.

- We are participants of the United Nations Global Compact's 10 principles on human rights, labour, environment and anti-corruption
- Our ESG policies incorporate environmental and social considerations into our lending and investment processes
- We have a climate change statement that supports the transition to a low-carbon economy. Together with UK Climate Investments, Investec committed R1 billion to a dedicated renewable energy investment vehicle called Revego Africa Energy
- We signed up to the United for Wildlife financial taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade
- Operationally, we have a very low carbon footprint compared to our peers and were awarded a B rating by the Carbon Disclosure Project (CDP).

Sustainability indices

We participate and have maintained inclusion in several globally-recognised sustainability indices.

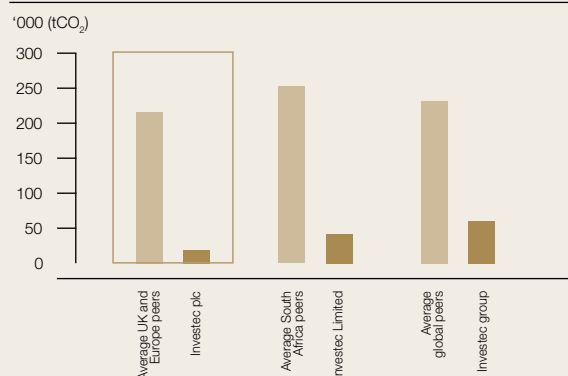
- Investec plc ranked in the Dow Jones Sustainability Investment (DJSI) Index as one of 15 industry leaders on the DJSI World and one of nine in the DJSI Europe indices
- Included in the FTSE4Good Index
- Constituent of the ECPI Index
- Constituent of the FTSE/JSE Responsible Investment Index Series
- Rated AAA on the MSCI Global Sustainability Index Series
- Member of the STOXX Global ESG Leaders Indices.

Sustainable Development Goals

We have committed to support delivery of the Sustainable Development Goals (SDGs) in building a more resilient and inclusive world.

- We can make the greatest socio-economic and environmental contribution by partnering with our clients and stakeholders to have a tangible impact on reducing inequality
- Through extensive stakeholder engagement in the past year, we believe our businesses are best positioned to focus on six core priority SDGs (out of 17)
- We continue to test these priorities and will report accordingly as our SDG journey progresses.

Peer comparison Scope 1, 2 and 3 emissions



Source: Latest company annual reports



CREDIT RATINGS

IBP has a long-term rating of A1 (stable outlook) from Moody's and BBB+ (Rating Watch Negative*) from Fitch.

* On 1 March 2019, Fitch placed the Long Term Issuer Default Ratings (IDR) of 19 UK Banking Groups (including IBP) on Rating Watch Negative (RWN). This follows Fitch placing the UK sovereign's AA IDR on RWN as a result of Brexit uncertainty.

For further information:

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